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ABSTRACT

Changes in federal law regarding mandatory retirement policy, while not directly covering higher education until 1982, will have much earlier educational and financial impacts on colleges and universities. Educational decision-makers will modify their behavior in such areas as hiring and tenure decisions, retirement decisions, and faculty pay decisions. The three papers presented here discuss the outcomes of this situation. "A Research Perspective on Mandatory Retirement," by Thomas M. Corwin, is based on a survey of institutions that was designed to discover the impact of raising retirement ages on educational institutions, and the effects on the employment prospects of new doctorate holders. "Implications of Mandatory Retirement Legislation for Institutions of Higher Education," by Peggy Heim, considers the impact of new retirement legislation on institutions, with emphasis on financial considerations. Included are analyses of both the direct and indirect effects, taking account of the attitudes and actions of both faculty members and administrators. "Faculty Attitudes Toward Early Retirement," by David D. Palmer and Carl V. Patton, is based on two independently conducted studies of faculty attitudes toward early retirement. One study focused on attitudes of existing faculty and the other on attitudes of those who recently took advantage of incentive early retirement programs. (Author/MSE)

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CHANGING RETIREMENT POLICIES

Thomas M. Corwin
Peggy Heim
David D. Palmer and Carl V. Patton

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FOREWORD

Recent changes in federal law regarding mandatory retirement policy will have broad societal implications, and while higher education institutions will not be directly covered until 1982, the educational and financial impacts will likely be felt much earlier. That is, in anticipation of being covered by the law in the future, participants in educational decisionmaking will modify their behavior in the near future in areas such as hiring and tenure decisions, retirement decisions, and faculty pay decisions. Indeed, several national education association leaders, representatives of faculty groups, university and college administrators, and others have begun to distribute papers and hold meetings to discuss the issues and build constituent support for different positions. In addition to these actions, demographic realities suggest potentially significant changes in the size and composition of the postsecondary student population during the next decade. These changes will affect the size and composition of the demand for faculty services, and they will have a large impact on institutional positions on the above and several other related issues.

The outcome of these issues are certainly of interest to most members of AAHE, and it was for that reason that I was invited by the leadership of the Association to define two or three issues in this area that could be subjected to analysis and to form a panel to present the findings at the annual meeting. The three papers contained in this document are the result.

The paper of David Palmer and Carl Patton is based on two independently conducted studies of faculty attitudes toward early retirement. One study focused on attitudes of existing faculty and the other on attitudes of those who recently retired early under incentive early retirement programs.

Thomas Corwin's paper is based on a survey of institutions that was designed to discover the impact of raising the mandatory retirement age on educational institutions and the effects on the employment prospects of new doctoral-degree holders.

In her paper, Peggy Heim considers the impact of new retirement legislation on institutions, with emphasis on financial considerations. Her discussion contains analyses of both the direct and indirect effects, thereby taking account of the attitudes and actions of both faculty members and administrators.

It is hoped that this set of papers will provide the basis for an informed discussion of these important educational issues.

Philip E. Austin
The George Washington University

A RESEARCH PERSPECTIVE ON MANDATORY RETIREMENT

Thomas M. Corwin

FOREWORD

The source of the data used in this paper, unless otherwise noted, is the current American Council on Education Study of the Effects of Raising the Mandatory Retirement Age of Higher Education Faculty. Co-principal investigators in this effort are Dr. Paula R. Knepper, staff associate, and Thomas M. Corwin, policy analyst. Dr. Knepper deserves equal credit for developing the material contained herein. The other Policy Analysis Service staff members who have ably assisted with this project are Anne C. Coldren, Laura Kent, Alphonso Pegram, Janet Plummer, Cathy Slesinger, and Beverly Washington. The author would like to thank the Ford Foundation and the Andrew W. Mellon Foundation for their support of this study.

INTRODUCTION

Congress will soon outlaw mandatory retirement prior to age 70. Beginning on July 1, 1982, H.R. 5383, the amendments to the Age Discrimination in Employment Act, will apply to college faculty members with tenure; it will apply to other faculty members and other college employees on January 1, 1979. In the future, mandatory retirement stands a good chance of being abolished altogether. The new legislation has caused widespread concern on college campuses and has become a focus of attention at the American Council on Education. Its enactment will potentially affect many areas of the academic enterprise: hiring, tenure, and retirement policies; the design of pension plans; financial planning and salary determinations; and even areas related to the business of teaching itself, such as the determination of how many part-time faculty should be hired at an institution. Further research is badly needed; specifically, models should be generated to guide institutions as they plan their responses to this legislation.

I have been in contact with many people—some from the campuses, some with the education associations—who are interested in pursuing this research work, and I am confident that the necessary research will go forward. This paper will address two topics: first, some of the basic information developed by ACE's Policy Analysis Service in the course of studying the effects of raising the mandatory retirement age; and second, some implications that this information has for colleges and universities and for the employment prospects of new Ph.D.'s.

THE DATA

Our first step in studying the mandatory retirement issue was to design an institutional survey on retirement and tenure policies. The survey questionnaire was mailed to a representative sample (10 percent) of all junior colleges, four-year colleges, and universities. Responses from about 41 percent of the sample have now been recorded and analyzed, and they yield what we believe is a valid and useful data base. Some highlights of the data are as follows:

First, we now have a breakdown of current college faculty by age. During the past few months people have said that, because of the unusual age distribution of higher education faculty, the ADEA amendments will inflict an unusual strain on our institutions. They have argued that since faculty tend to retire later than other workers and faculties currently include a large number of older professors who, if given the opportunity, will remain in their jobs for many more years, the employment market for young Ph.D.'s will be severely constricted at least for the next decade and perhaps for the rest of the century.

The data from the survey do not, however, support the view that a large proportion of current faculty members are in the oldest age cohorts. Rather, they show that the median age of full-time faculty is about 42. About 15.6 percent of full-time faculty are over age 55, and only 6.8 percent are over 60. These figures are consistent with earlier survey results, including the 1975 Carnegie Council survey.[1] When we compare our figures with the age breakdown for the entire U.S. workforce,[2] we find that higher education has a much smaller proportion of workers in the under-35 age group. This difference is to be expected in light of the heavy educational requirements for entry to the academic world. On the other hand, the percentage of workers in the over-55 category is almost identical for the full-time faculty and for total workforce populations.

Thus, the major findings about age distribution are, first, that the percentage of older, full-time faculty is relatively small (and is no greater than the percentage of older workers in the total workforce); and second, that the largest group of faculty are those still in their thirties and early forties, who cannot be expected to retire for many years.

With this background, two additional points can be made. First, as one would expect, tenured faculty members are, in the aggregate, older than other faculty members. The median age of full-time tenured faculty is 48, and about one-quarter are over 55. For nontenured faculty, the median age is 36, and about 6 percent are over 55. If tenured faculty members are considered a special case—in that their tenure conveys an unusual type of job security—then the relatively advanced age of those who have tenure is a factor that should be considered in institutional planning.

The second point is that these aggregate data do not apply at all institutions. In our survey we found a few institutions where as many as one-half of all full-time faculty members are over 55 and as many as two-thirds of all full-time faculty members with tenure are over 55. In all, slightly more than one-quarter of the responding institutions reported that more than 30 percent of their full-time faculty members are over 55. These institutions are all four-year colleges (including a few with graduate programs), most are private, and most (but not all) are relatively small. Quite a few are religiously affiliated. For these schools, the full effects of the new amendments will soon be felt.

A second issue covered in our survey was institutional policy on mandatory retirement. During Congressional debate on the amendments to the Age Discrimination in Employment Act, it was often said that an exemption for higher education would be irrelevant in that so many faculty members are already permitted to continue as full-time employees to age 70 and beyond. Most often mentioned in this context were the SUNY system, which for many years has had a mandatory retirement age of 70, and higher education institutions in California, which last year outlawed mandatory retirement at any age.

The survey questionnaire contained one item asking about the institution's current mandatory retirement age—that is, the age at which a faculty member must retire unless a special extension is granted by the institution. We found that the majority of all institutions (64 percent, employing 65 percent of all full-time faculty) still have a mandatory retirement age of 65. The second largest group of institutions (15 percent) mandated retirement at age 70. A smaller number (12 percent) set retirement at some age between 66 and 69. The remaining institutions (9 percent, employing only about 3 percent of all faculty) said they have no mandatory age of retirement. Thus, for more than three out of four institutions in our sample, the age discrimination amendments will require adjustments in retirement policies.

It should be noted that it is a common practice for institutions with a mandatory retirement age of below 70 to grant special permission, upon request, for a faculty member to continue to work full- or part-time beyond the mandatory age. About 89 percent of the institutions that set mandatory retirement below age 70 have such a policy. A minority of the institutions that set mandatory retirement at age 70 also permit special extensions. It is also common to allow extended employment up to a fixed or "compulsory" age, though about one-third of the institutions that allow extensions do not have a fixed limit on extensions. For all institutions, the most common "compulsory" retirement age is 70.

In looking at the entire range of institutions, we found, then, that the most common policy is to require retirement at 65, to permit special extensions beyond that age, and to set a "compulsory" age, generally around 70, beyond which no extended employment is allowed. However, policies at individual institutions often vary considerably from this norm, and fewer than 40 percent of all institutions seem to conform to the modal pattern.

The third important issue covered in the survey questionnaire was faculty vacancies. We asked institutions to indicate how many faculty vacancies they had had during the three most recent academic years and how many were expected to occur during 1977-78. This information was to be given in terms of the age of the faculty member whose departure from the institution resulted in a particular vacancy.

The information now available suggests that colleges and universities have a fairly low turnover rate. The total number of vacancies during the 1976-77 academic year added up to about

7.7 percent of all full-time faculty at all institutions. Most vacancies resulted from the departure of faculty under age 55; only 17.5 percent were accounted for by the departure of faculty age 60 and over. Another 3.9 percent of the vacancies were caused by the departure of faculty ages 55-59.

While I have less confidence in the responses to this question than in the responses to our other questions (in that our response rate for this one was somewhat lower), these data do agree with other projections that faculty vacancies at colleges and universities are few and far between. The projections are for an even tighter market in the coming years.

IMPLICATIONS FOR COLLEGES AND UNIVERSITIES

The data I have presented provide some basis for analyzing the possible effects of raising the mandatory retirement age. While there are still some gaps in the data and while analysis of the ACE survey results will continue, several preliminary conclusions are possible.

For most of the institutions surveyed, the time when a great many faculty members will be reaching the traditional age of retirement is still some years in the future. (There are, as previously noted, several glaring exceptions.) The vast majority of current faculty members were originally hired during the boom years of the late 1950's and 1960's and are still many years from retirement. This situation could turn out to be helpful to the institutions, especially when considered together with the three-and-a-half year moratorium period, during which the new amendments will not apply to tenured faculty. The intervening years will give the institutions some time to devise, test, and implement any new arrangements that are deemed necessary. Many adjustments will be necessary. Among the issues that must be considered by the institutions are the following:

(1) Should age 65 still be considered the "normal" retirement age for most faculty members, with pension plans designed to begin paying out at that age, or should pension systems be adjusted to operate in an environment in which many faculty will stay on until age 70? A related issue is how faculty will react to a change in the ADEA, and whether their retirement decisions can be affected by induced early retirement and other institutional policies.

(2) Can the means be found to insure institutional vitality during a long period of low turnover? It appears that during the next ten or fifteen years, relatively few faculty members will be retiring or leaving their positions for other reasons. Yet some means must be found to bring new ideas, new energy, and even entire new disciplines to the campus. Increased part-time teaching and sharing of faculty slots are two possibilities that come to mind, but there should be other options as well.

(3) Can tenure agreements be administered in such a way as to insure that our colleges and universities are providing the highest possible level of instruction to their students? It has always been assumed that the granting of tenure depends on the quality and quantity of work being done; the tenure system of America's colleges and universities was never intended to provide job security to incompetent or unproductive faculty. However, in some cases it may be doing just that. Changes in the Age Discrimination in Employment Act will prompt many institutions to revitalize existing procedures for determining tenure and to establish new procedures for reviewing tenured faculty. Thus, the burden of adjusting to the amended ADEA will not fall on the institutions alone. Even though the legislation grew out of the desire to end ageism and to provide greater opportunities to older workers, its inevitable consequence, paradoxically, will be that the productivity of older workers will be subjected to closer scrutiny than it has been in the past. One group of workers whose work will require periodic review is tenured faculty.

(4) A final question for the colleges to consider is, will implementation of the ADEA amendments result in major changes in employment and tenure patterns? For several years observers have been saying that our institutions are "tenured up." Our survey (and other recent studies[3]) found that more than half of all full-time faculty now have tenure. The future may bring some dramatic changes. For instance, institutions may begin to consider awarding tenure for a fixed number of years, or they may evolve to a system of shorter fixed-term contracts.

These are the circumstances that colleges and universities will have to face during the next five to ten years. Responding to them effectively will be good preparation, should the time come when there is no permissible mandatory retirement at all.

THE MARKET FOR YOUNG PH.D.'S

All the evidence suggests that new doctorate-holders will have only limited opportunities for academic employment during the rest of the 1970's and that the situation will be even worse during the 1980's.[4] (It should improve later on, but it will probably never again reach the level of the "Golden Years" of the 1960's.) Allan M. Cartter predicted that production of Ph.D.'s would exceed demand by one-third in the late 1970's and by one-half during the 1980's. The situation will vary among academic disciplines, with those fields where scholars traditionally have the fewest nonacademic employment alternatives experiencing the tightest squeeze. For instance, the Bureau of Labor Statistics has projected that between 1974 and 1985 the supply of new Ph.D.'s will exceed demand by 80 percent in social science and psychology, by 100 percent in mathematics, and by 400 percent in arts and humanities.[5] Thus, the concern over the impact of mandatory retirement legislation on an already strained employment market for young faculty is legitimate.

Estimates of the magnitude of this impact are hindered by our lack of convincing data on how the older professors will react to the new amendments. (The current research of Peggy Heim and David Palmer should fill much of the data gap in this area.) My best current estimate is that if one-tenth of all faculty members who reach the traditional retirement age postpone retirement during the next decade, the result could be a temporary 5 percent decline in expected job vacancies. If one-fifth of the older faculty postpone retirement, then the temporary drop-off in vacancies could be as high as 10 percent. These estimates should be considered preliminary. When the data are more complete, we should have some figures that we can use with more confidence. Nevertheless, in evaluating the data we have now along with the data on age breakdowns and projected enrollments, it is safe to predict an extremely tight employment market over the next decade. Because of the new legislation, it will grow tighter still. Adjustments will be needed to insure the vitality of many institutions and to provide young Ph.D.'s with employment commensurate with their training and abilities.

FOOTNOTES

[1]1975 Carnegie Survey of American Academics as reported in Patton, Carl Vernon; Kell, Diane; and Zelan, Joseph. *A Survey of Institutional Practices and an Assessment of Possible Options Relating to Voluntary Mid- and Late-Career Changes and Early Retirement for University and College Faculty.* Report prepared for National Science Foundation. Contract No. PRM-7624576. November 1977, pp. 177-178.

[2]U.S. Department of Commerce. Social Indicators, 1976. Table 8/2, p. 365. (Data based on U.S. Department of Labor, *Employment and Training Report of the President, 1976* and Bureau of Labor Statistics, "New Labor Force Projections to 1990," *Monthly Labor Review*, December 1970.)

[3]El-Khawas, Elaine H. and Furniss, W. Todd, *Faculty Tenure and Contract Systems: 1972 and 1974.* Higher Education Panel Report, No. 22, American Council on Education, December 1974, p. 5.
Bayer, Alan E. *Teaching Faculty in Academe: 1972-73.* American Council on Education Research Reports, Vol. 8, No. 2, 1973, p. 17.

[4]Cartter, Allan M., *Ph.d.'s and the Academic Labor Market.* Report prepared for the Carnegie Commission on Higher Education. New York: McGraw-Hill Book Company, 1976, p. 238.

[5]Rosenthal, Neal H. "The Prospective for Ph.D. Supply and Demand, "*Council of Graduate Schools in the United States, Proceedings of the Sixteenth Annual Meeting.* Denver, Colorado: December 1976, pp. 47-52.

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IMPLICATIONS OF MANDATORY RETIREMENT LEGISLATION FOR INSTITUTIONS OF HIGHER EDUCATION*

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THE LEGISLATION

In 1977 proposed legislation limiting employers' options to mandate retirement by virtue of chronological age suddenly gained momentum, and by early 1978 the federal government had a new law. With a few exceptions the law prohibits age-mandated retirement before age 70 for anyone who wants to and is able to work. In brief, the legislation modifies the Age Discrimination in Employment Act of 1967 (ADEA), making 70, rather than 65, the earliest age at which private employers, as well as state and local governments, can mandate retirement. It has the following provisions:

(1) Tenured faculty are exempted from this provision until July 1, 1982—that is, colleges and universities can continue to require retirement of tenured faculty at some age between 65 and 70 until this date, if the institution desires.

(2) Higher-paid individuals with a pension from their current employer of $27,000 (exclusive of social security) are also exempted.

(3) For federal employees, there is no age-mandated retirement at any age.

(4) The law requires the Secretary of Labor to study the possibility of eliminating all age-mandated retirement.

At about the same time the federal legislation made its sudden appearance, California—just as precipitately—approved legislation that would eliminate age-mandated retirement within that state. The California law permits employment to continue "so long as the employee demonstrates his ability to perform the functions of the job adequately and the employer is satisfied with the quality of work performed." A few other states, such as Montana and Alaska, also appear to prohibit age-mandated retirement, while legislation proposed in New York would permit employment to continue regardless of age until the employee is "physically unable to perform his duties."

Whatever the reasons for the current legislation, some observers believe that for most large employers mandatory retirement on the basis of age may be on the way out and that the pause at age 70 is only temporary. This paper will consider the implications for colleges and universities of legislation which raises the minimum age for mandated retirement to 70 and which may soon prohibit this employment practice entirely. It will give particular attention, however, to the federal legislation.

Administrative regulations will undoubtedly play a major role in shaping policy. Although both the federal and California laws have as their announced purpose the extension of employment opportunity for older workers, administrative regulations will probably set the limits within which the employer can determine the conditions of work and compensation for staff members age 65 and above. Areas which may be affected include, among others, modifications in the retirement plan, insured benefits, and salary administration.

Under the new federal amendments, the employer can apparently retain the concept of a normal retirement age in the retirement plan, and this age can be less than 70. It is still unclear whether the employer will have to continue retirement contributions beyond the normal retirement age. There are indications that additional service beyond the institution's normal retirement age may not have to be counted in calculating pensions under formula benefit plans, the form used in most state teachers and state employees retirement systems. Whether a similar option will be extended to employers with defined contribution plans, such as TIAA, is less clear.

Other important questions relate to benefits, such as long-term disability benefits, life insurance, and major medical insurance. It is still undetermined whether the employer will have to provide the same benefit features after normal retirement age as before that age. For example, would long-term disability benefits have to be extended to age 70 when the institution has a

*The views expressed in this paper are those of the writer and not necessarily those of TIAA-CREF.

normal reitrement age and pension available at age 65? Can an employer modify the pattern of life insurance coverage for workers continuing beyond the institution's normal retirement age?

These are only a few of the areas in which the decisions of employers may be impacted by governmental regulations.

THE ROLE OF ENVIRONMENT IN DETERMINING IMPACT

The environment in which this new legislation becomes operative will affect the impact of the legislation on institutions and institutional responses. Five observations are offered here:

(1) Institutions are already under severe strain—budgetarily, structurally, organizationally, and externally. The legislation causes additional pressure.

(2) Social legislation, most of it adopted since 1965, further reduces institutional options in adjusting to the new mandatory retirement provisions. It also intensifies the legal problems involved in policy formation.

(3) Although some institutions already have normal or mandated retirement at age 70, and some with earlier retirement ages generally provide extensions to 70, most of the institutions have earlier compulsory retirement. They will feel the impact of the new legislation in varying degrees—depending in part on their current practices.

(4) Even though many institutions will have to offer employment beyond their current age limit, fewer people than expected may defer retirement—at least at first. A significant trend to earlier retirement has become quite pronounced, and mere passage of the legislation may not reverse the practice.

(5) Despite an historical trend toward earlier retirement, inflation and an increased awareness of the financial implications of enhanced longevity may modify, or even reverse these patterns.

The mandatory retirement legislation hits institutions at a time of escalating costs, lagging revenues, and ever-tightening budgets. Specific problem areas include increasing competition for students, sliding enrollments (with even more pessimistic projections for the 1980's), shifting patterns of student demand, heavily tenured faculties accompanied by low turnover among senior faculty and decreasing opportunity for new appointments (except that created by churning), declining institutional flexibility, mounting litigation and encroaching regulations, and diverted institutional energies. These conditions vary in degree of adversity among institutions. But on the whole, institutions are facing serious financial and staffing problems. The new legislation intensifies them.

In this environment, there is little wonder that higher education administrators fear the adverse consequences of legislation extending to age 70, or prohibiting, age-mandated retirement. The problem is magnified because institutions must now wend their way through a legal maze of regulations. They must contend with the Employee Retirement Income Security Act (ERISA), the Internal Revenue Code, equal pay, affirmative action, and age discrimination requirements. Approaches that institutions could have used a decade or so ago to help lessen the budgetary impact of delayed retirement must be reviewed in terms of new legislation and regulations.

In colleges and universities the mandatory retirement age for faculty generally ranges between ages 65 and 70. Most institutions ordinarily require retirement before age 70, and their retirement arrangements will be directly affected by the proposed legislation. Among institutions with TIAA plans, for example, the most widely used normal *and* mandatory retirement age is 65, with one-year extensions permitted at the option of the institution. Some institutions grant the options generously; others, sparingly.

While the legislation gives staff increased opportunity to extend employment to later ages, the evidence suggests that many people do not want to continue working if they do not have to. Disenchantment with their jobs, changing interests, family responsibilities, declining energy, health, and other reasons still cause people to set their retirement sight on an age younger than 70 if they can afford to do so. One-third of the TIAA-CREF annuity owners, for example, now begin receiving their income payments before age 65, compared with 25 percent in 1971 and 16 percent in 1966.[2] At the older ages, the percent starting to receive their annuity incomes has shown a steady decline—20 percent in 1966, 14 percent in 1971, and about 10 percent at present.

Similar conclusions were drawn by Carl Patton in a study of the University of California faculty; many faculty retire before reaching the mandatory retirement age of 67, and presumably still more would drop out before reaching an extended age of 70.

The trend towards earlier retirement may be derailed, however, by fear of inflation and growing awareness of increased longevity. Although individuals are generally aware that people are living longer, they may not know that the average life-expectancy at age 65 is about 17 years for women (TIAA experience). Stated another way, about 59 percent of the women who reach age 65 will live to reach 85, and 36 percent will live to age 90.[3] In other words, a large proportion of people can expect to reach advanced ages.

While increasing longevity may be a desirable trend in itself, it carries burdensome financial implications. For example, with the passage of time, inflation of 5 percent compounded annually would reduce the purchasing power of $10,000 in money income to the following levels:

$10,000	age 65	$4,810	age 80
$ 7,840	age 70	$3,770	age 85
$ 6,140	age 75	$2,950	age 90

Even though social security is indexed with prices and people may need less money as age advances (barring medical and nursing home expenses), inflation may cause people to reconsider their projected retirement ages.

Working longer can significantly improve an individual's financial position in retirement. Under many retirement plans, benefits increase with additional years of employment. Under a TIAA plan, for example, delaying the start of an annuity exerts a powerful upward force on the benefits once they begin. Beyond age 65 each year's delay will increase benefits for most participants by about 10 percent per year, or 50 percent or more in five years. Any additional contributions will raise benefits still higher. Moreover, the additional earnings may lead to substantial increases in savings, while the deferment of retirement tends to conserve savings. There are very good financial reasons—as well as other reasons—why individuals may want to postpone retirement.

In brief, the picture of what people will do about retirement is muddy. On the one hand, the trend toward earlier retirement ages should help check any large-scale movement toward postponing retirement to the legal limit; on the other hand, inflation, combined with increased longevity, may cause individuals to reassess their options and thus distort past trends.

With respect to the institutions, this much is clear: institutions will not be affected equally. Individual colleges and universities start from different positions and their responses will vary. They have different faculty age structures and faculty preferences, different current retirement ages and retirement-plan contribution levels (or formula benefits), and different geographic locations and working environments. In addition, much of the impact is secondary. It arises from the responses made by the institution in adjusting to the legislation, and these responses will vary with the institution and with the people involved.

PERCEPTION OF THE PROBLEM

In addition to their status as employees, individuals have organizational roles and positions. In these roles they have different concerns, and they are likely to see mandatory retirement from the viewpoint of their organizational roles.

Higher-level administrators are vested with personal responsibility for preserving and enhancing the well-being of the institution. They are judged on this basis. They also tend to have side objectives and aspirations—for the institution and for themselves. Like other members of the organization—faculty, other administrators, and support staff—higher-level administrators care about the conditions under which they work and pursue their goals. Administrators are understandably concerned by policies that they think threaten the well-being of the institution, the achievement of objectives as they see them, and the quality of the environment.

More specifically, administrators fear that, directly or indirectly, mandatory retirement legislation can or will have the following effects:

- Increase costs and require reductions in desirable expenditures
- Reduce institutional flexibility and vitality, or complicate their efforts to achieve these qualities

- Place academic or other objectives beyond their reach
- Intensify people-problems, making inter-personal relationships more complex and possibly pushing people into roles they eschew
- Reduce collegiality; disturb established working relationships
- Increase litigation and intensify entanglement with governmental agencies
- Consume energy—both personal and organizational
- Contribute further to the deterioration in the economic condition of the institution

Faculty have different concerns. They are primarily concerned with carrying on their academic pursuits, with collegiality and institutional governance, with various professional responsibilities, and perhaps with side interests—political, professional, and personal—as well. The welfare of their institution has not been made their primary concern, either in the value structure of academe itself or through direct action by the institution, and they are quite likely to see it from a different viewpoint than the administrators.

Whereas administrators may see a highly tenured institution as tenure-bound, faculty seldom share this view. Faculty, understandably, may want to confer tenure on their younger colleagues. Excessive tenuring is not the problem, they are likely to say, and in faculty circles they point to other sources of difficulty—for the most part to administrative inadequacies, such as failure to recruit enough students or at least students with appropriate interests, to raise sufficient money, to offer imaginative leadership, and to develop faculty creatively. Each component—faculty and administration—tends to ascribe the problem encountered to factors beyond their personal control and frequently outside their group as they define it. To do otherwise would intensify conflict to uncomfortable levels.

The fact that faculty and high-ranking administrators see things quite differently will complicate institutional adjustment to the new mandatory reitrement legislation. Indeed, faculty as a group may not see much problem to the institution from deferred retirement, while administrators may err in the opposite direction.

IMPLICATIONS OF THE LEGISLATION

Mandatory retirement legislation has the potential for affecting institutions either directly or indirectly through the responses it induces. It could affect policies and practices, attitudes, positions and conditions. It could have an impact on the economic position of the institution and of the individual. It could increase costs and reduce institutional viability. While the mandatory retirement legislation might improve the economic position of the older individual, it could indirectly restrain wage and salary increases or impose constraints on the quantity and quality of fringe benefits. There is the possibility that the legislation will, along with other forces, induce significant changes in institutional policies and practices—or it may create only a ripple. Much of the impact will be determined by the responses it induces, and these will vary among individuals and institutions.

The following discussion of the potential implications of mandatory retirement legislation for institutions will focus on four subjects: the number of new openings, personnel practices and policies, costs, and tenure. In some of these subject areas, alternatives that may help institutions adjust to the new conditions will also be discussed.

NUMBER OF NEW OPENINGS

In the 1950's and 1960's institutions relied heavily on new position openings to help them achieve flexibility, maintain vitality, and implement affirmative action. Many, if not most of these openings came about because of enrollment growth. Now that institutions anticipate zero or even negative growth, openings will depend primarily on the number of separations. Although institutions can build turnover into younger faculty age structures, retirements have accounted for the bulk of the turnover in permanent faculty who are middle-aged or older. Thus, any change in public policy that slows down retirements presents difficulties for the institution.

To the extent that a diminishing number of new openings reduces the ability of the institution to cut staff size through attrition, to reallocate positions among departments, to bring in new people with different competencies, and to add new ideas or dilute entrenched viewpoints

through new appointments, administrations may have to develop new approaches to maintain flexibility and vitality. Institutions may want to place more emphasis on academic and financial planning (including the incorporation of floating, non-tenurable positions and money for staff development), on use of temporary faculty (for example, faculty on three-year terminal contracts), and on faculty growth. Administrations may also have to give more attention to leadership style to bring about needed changes in curricular and academic policies.

Institutions might also want to encourage voluntary turnover among middle-aged and older faculty. A few case studies of institutions with mandatory retirement at age 65, but with extensions generally available at age 68, indicate that when their age-specific separation rates are calculated and applied to permanent faculty who reach age 50, relatively few hang on to the final year. For example, almost one-third may leave before they reach age 65 and two-thirds before age 68. These percentages will undoubtedly vary among institutions. Indeed, some administrators with required retirement after age 65 claim that "hardly anyone leaves early." I suspect, however, that statistics for institutions with deferred retirement options would reveal greater outflow before the final working year than many observers might believe. There could be opportunities to enlarge this flow.

Institutions of higher learning have done relatively little to encourage mid-career change. Institutions could provide more assistance—career counseling, programs to help the indivdiual identify feasible new careers and to find them, guidance for readjustment, leaves of absence to reduce risk and encourage experimentation, and, if necessary, economic or fringe-benefit assistance while the individual becomes reestablished. There are complications, of course, in providing these services, and a full-blown service might be rather costly.

Timely retirement can also be facilitated through appropriate retirement plans, plans to induce early retirement, and selective retirement sweeteners. Those institutions whose plans now incorporate a normal retirement age below 70 should not hasten to amend them. A normal retirement age seems to have psychological advantages, since it induces people to think about and plan for retirement at the target age.

There have been suggestions that if people are going to work to age 70, the institution may as well reduce its contribution for retirement at all ages. Unless an institution wants to encourage people to stay on to 70, this approach appears self-defeating. People are not likely to retire at age 65 or 66 unless they can afford to do so, and a low contribution rate will hardly achieve this goal, particularly when viewed within the framework of inflation. Thus, if an institution would like to encourage retirement at age 65, it may be well advised to design a plan so that people can afford to do so.

Hans Jenny and I are preparing a monograph under TIAA auspices. We hope to address some of these questions and analyze the costs and benefits of early retirement plans. Meanwhile, a caveat may be in order for institutions that are hanging their hopes on early retirement plans—with early retirement now redefined as somewhere between 64 and 66—to solve their turnover problems. Based on Dr. Jenny's earlier cost analysis, new legal limitations, and other considerations, early retirement plans of a traditional form are likely to be very costly to institutions.[4]

On the subject of "retirement sweeteners," a name sometimes given to special arrangements offered quietly and selectively to induce certain people to retire early, there can be difficulty in sheltering from immediate income taxation a contribution large enough to purchase the necessary annuity.[5] Although other ways of inducing retirement can be found, they may either be more costly to the institution or have other disadvantages. In general, institutions may have to find other ways of dealing with their difficult people-problems than by offering these individuals sweeteners to secure their timely retirement.

Along with minimizing financial deterrents to retirement, institutions may want to consider removing other obstacles. Next to rapid inflation, perhaps the event the older person fears most is a catastrophic illness that depletes savings. Institutions can help alleviate this fear by providing major medical coverage for retirees—at a reduced but adequate level. The continuation of medical catastrophe protection, whether or not employees continue working, eliminates that reason for extending service.

Retirement is also discouraged by a feeling that the gold watch signifies separation from one's past—professionally, socially, and psychologically. Measures that engender feelings of continued association help reduce the trauma and burdens of retirement; others enrich life. Some of the perquisites most valued by retired faculty members include office and laboratory space, secretarial help for typing manuscripts and recommendations for former students and colleagues, library privileges, admission to cultural and athletic events, use of the faculty club and dining facilities, a subscription to the school paper, and inclusion at college social events, to name some of the important ones. These perquisites help ease the transition and make retirement more enjoyable. They are generally not very expensive, and as the individual ages the privileges are used less and less. But they may be an important factor in reducing the inclination to defer retirement.

Other programs or opportunities can help prepare the way for timely retirement. One approach takes the form of pre-retirement counseling, which ideally should begin at least ten years before retirement to facilitate financial preparation. Some of these counseling programs are described in a study by James Mulanaphy, and TIAA has available an annotated list of retirement preparation programs and materials.[6] Another possibility is phased retirement, which will be analyzed in more detail in the longer study.[7]

These measures, taken together will probably help some institutions deal with some of their problems.

PERSONNEL POLICIES AND PRACTICES

Two things the law might bring about are new personnel procedures and better records. Better job descriptions and performance appraisals are particularly important. Faculty members cannot be told at the age of 66 that they are no longer competent, without supporting records. In the event of such an allegation, the individual can contest retirement and the institution must defend its position—inability of the individual to perform the job and absence of discrimination. The threat of potential litigation and the need for substantiating records can complicate life for the institution. The solutions are not simple.

For faculty, performance appraisals may smack too much of employeeism. Other—perhaps supplementary—devices may be needed. Professional growth contracts may offer new possibilities for assisting both the individual and the institution. The goal is a procedure useful throughout the individual's career—a procedure to encourage professional growth, to provide satisfaction, and to help the institution utilize personnel more effectively. The development of these arrangements will challenge the ingenuity and perseverance of administrators.

THE EFFECT ON COSTS AND BUDGET ALLOCATIONS

Many of the measures discussed above impose costs in terms of time, energy, or money. To the extent that individuals postpone retirement, mandatory retirement legislation may add other costs as well. Since senior individuals generally have higher salaries than their younger replacements, retirement deferrals may increase the salary bill—but not necessarily. Failure to realize savings through retirements may simply cut down on the money available for salary increases for those who continue on the staff.

Analyzing the effect of postponed retirement on the cost of benefits tends to be complex. For example, the net cost to an institution of continuing retirement contributions for those who work beyond age 65 may not be as great as one would think if new appointees join the plan soon after their arrival, if salary increases are constrained, and if no additional personnel are added.

The extension of the minimum age for mandatory retirement may also affect the cost of insured benefits—just how much depends on the current plan, government regulations, institutional response, the age, sex, and salary structures, and retirement responses, to name some of the factors.

Disability income maintenance may be particularly costly if disability benefits cannot be terminated with normal retirement age, as now occurs in most plans. Individuals disabled before age 65 seldom return to work after 65. Moreover, after age 65 the incidence of permanent disablement increases, as well as claims from marginal candidates for benefits. Unless they are required to terminate disability benefits, most individuals would probably prefer to continue

them. The disability benefits may be higher than the annuity income, and, more important, postponing the settlement of a defined contribution annuity, such as TIAA, increases the benefit. Since more is paid out in disability benefits, premiums must rise, and they may rise substantially.

With respect to life insurance, if the institution provides fixed rates of coverage, such as benefit equal to salary, the rate per $1,000 of group life insurance at age 70 is five times the rate per $1,000 for 50-year-olds and twenty times the rate for 30-year-olds.

As for medical benefits, Medicare becomes available at age 65 for workers as well as for retirees. Most institutions that have TIAA major-medical plans, for example, already continue coverage into retirement as a supplement to Medicare. At these institutions, the proposed legislation should not affect major medical costs materially. Those institutions that do not now continue major medical benefits into retirement should consider doing so for the reasons previously described.

The costs most difficult to estimate are those associated with induced responses—that is, responses made by an institution in adjusting to the new legislation. As Robert Scott has pointed out, many of these responses or outlays depend on institutional style,[8] which is influenced primarily by the social environment of the institution and by personalities. The person put in charge of new or expanded functions, along with the prevailing stress factors, determines in large part how the task is approached, how large the operation becomes, and how much money is spent. I am convinced that institutions are well advised to consider personalities carefully before bestowing new functions upon them. Under their advocacy new or expanded functions may take a bigger bite of the budget than was ever remotely contemplated; perhaps more significantly, they may usher in drastic and undersirable changes in operating style.

TENURE

Administrators foresee numerous changes in tenure. The changes that some of the administrators see reflect more hope than vision. These hopefuls think younger faculty will erode away the concept of tenure because they would rather continue teaching without tenure than lose their jobs entirely. Others propose that tenure be terminated when faculty reach the normal retirement age, say 65. This, they believe, would change the reasons for which an individual could be terminated, and it would affect the procedures used, the burden of proof, and the types of evidence required for termination. Others want to grant tenure for fixed periods—say 10 or 20 years—with review before the granting of another contract. Still others hang their hopes on tightened tenure ratios, a reformulation of criteria, and more rigorous and timely pre-tenure reviews.

Many administrators put their faith in action at the other end of the line—in an increased willingness on the part of faculty to blow the whistle on poor performance through a process of peer review. The questions are, How might academics do this, and would they? I personally do not think we can expect faculty to take public positions on a colleague's inadequate job performance, except in cases of pronounced incompetence or noticeable neglect of duties. There is perhaps some hope that visiting committees of academics could be impaneled to perform this function, but I am not optimistic. The task of blowing the final whistle will probably rest with the administration. How it will do this, I am not certain.

In conclusion, institutions will feel the impact of mandatory retirement legislation differently. For some, the legislation will involve only slight inconveniences and moderately higher costs. For others, the impact will be significant indeed. Most institutions will fall somewhere between.

FOOTNOTES

[1]The legislative material draws heavily from a paper given by Thomas C. Edwards, Jr., President of TIAA-CREF, at the American Association of Colleges meeting, February 8, 1978.

[2]Taken from the paper prepared by Tom Edwards for the American Association of Colleges meeting, February 8, 1978.

[3]For the men, about 40 percent of those who reach age 65 will live to reach 85, and 20 percent, age 90. (TIAA tables are approximately those of the 1971 IAM rates set back 0.0 years for males and 1.5 years for females.)

[4]For a discussion of the economics of early retirement from the standpoint of the retiree and the institution, see Hans H. Jenny, *Early Retirement: A New Issue in Higher Education.* Available from the Teachers Insurance and Annuity Association, 730 Third Avenue, New York, N.Y. 10017, 1974. This study antedates many of the restrictive regulations.

[5]For example, the cost of providing TIAA benefits for faculty at age 65 equal to the increased actuarial benefits when retirement is deferred to age 70 may often run $35,000 to $60,000 and higher. This assumes no additional contributions after age 65.

[6]James M. Mulanaphy, *Retirement Preparation in Higher Education,* Teachers Insurance and Annuity Association, 730 Third Avenue, New York, N.Y. 10017, 1978 (price $2.00). TIAA/CREF, "An Annotated List of Retirement Preparation Programs and Materials", Teachers Insurance and Annuity Association, 730 Third Avenue, New York, N.Y. 10017, 1978 (free).

[7]With respect to phased retirement, the individual can meet these variations in income needs by using supplemental Retirement Annuities (SRA's) or by settling part of the regular annuity while leaving the rest to accumulate until full retirement. Some possibilities of tailoring annuities to meet individual needs are discussed in the 1978 Annual Report of TIAA-CREF.

[8]Robert A. Scott, "More Than Greenbacks and Red Tape: Campus Effect and Federal Compliance Requirements." This article will appear in a book published by the Change Magazine Press.

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ATTITUDES TOWARD INCENTIVE EARLY RETIREMENT SCHEMES

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THE RATIONALE FOR INCENTIVE EARLY RETIREMENT

Ammendments to the Age Discrimination in Employment Act, effective July 1, 1982, will prohibit involuntary retirement of tenured university and college faculty under age 70. This legislation may exacerbate problems confronting higher education during this period of steady or declining student enrollment, since a high proportion of faculty are tenured and relatively young. In spite of this development, however, problems may be alleviated if substantial numbers of senior faculty voluntarily choose to retire earlier than the minimum mandatory retirement age.

Two independently conducted studies have recently investigated early retirement.* The first, a mailed questionnaire survey of current faculty, focused in part on professors' attitudes toward and plans for retirement. The second, an examination of early retirement programs in academia and business, focused on the experiences and attitudes of those who have retired early under incentive early retirement programs.

Through incentive early retirement, higher education may be able to open its ranks to persons with new, needed skills by inducing faculty members with outdated skills or reduced productivity to retire early. Recognizing the potential benefits from increasing the retirement rate, a few universities have raised early retirement annuities and found that some people are willing to retire a few years early if given the proper incentive. This move can save money in situations where the annual incentive early retirement payment plus the salary paid to a new employee is less than the retired employee's previous salary.

SURVEY OF FACULTY: MANDATORY AND COMPULSORY RETIREMENT

The mailed questionnaire items on retirement and incentive early retirement were one component of the Ladd-Lipset 1977 Survey of the American Professoriate.[1] The survey, conducted in the spring of 1977, obtained an achieved sample of over 4,200 faculty at nearly 160 universities and colleges.[2] Mandatory and compulsory retirement information was obtained directly from each sample institution. (Mandatory retirement age is the minimum age at which an employee may be involuntarily retired based on age.)

The distribution of mandatory age requirements of the sample institutions, as shown in Table 1, indicates that most of them specify 65 as the mandatory retirement age, and less than one-quarter currently specify age 70 or older, which is the provision necessary to satisfy new legislation. Fewer privately than publicly controlled institutions meet the proposed standard.

Table 1. Mandatory Retirement Age for Faculty at U.S. Universities and Colleges by Type and Control of Institution (percent by column)

Mandatory Retirement Age	Research Universities				Doctoral Universities				Other Universities and Colleges			
	Public		Private		Public		Private		Public		Private	
	n	%	n	%	n	%	n	%	n	%	n	%
65	13	50	11	79	15	60	12	80	35	67	20	83
66-69	5	19	2	14	2	8	1	7	6	12	1	4
70	7	27	1	7	8	32	1	7	7	13	3	13
No Limit	1	4	0	0	0	0	1	7	4	8	0	0
Total	26	100	14	100	25	100	15	100	52	100	24	100

*The authors would like to acknowledge the support, advice and assistance of Dr. Carlos E. Kruytbosch of the National Science Foundation, project officer for both studies.

Most colleges and universities have a policy that permits faculty to request that employment extend beyond the institution's mandatory retirement age. The maximum extended retirement age—or compulsory retirement age—is the age beyond which the institution is not permitted, either because of self-imposed rules or state-imposed regulations, to extend employment. The overall distribution of compulsory retirement age, as shown in Table 2, is nearly opposite that of mandatory retirement; only one-quarter of the responding institutions prohibit employment beyond age 69. Institutions with compulsory retirement provisions at age 70 or older should experience less difficulty in modifying current policies to comply with the new law. A full 20 percent of the Other Universities and Colleges and Private Doctoral Universities categories currently have a compulsory retirement age limitation of only 65. These institutions will be forced to make adjustments of the greatest magnitude.

IMPACT OF MANDATORY RETIREMENT REQUIREMENT ON AGE DISTRIBUTIONS OF FACULTY

The age distributions of current faculty, displayed in Table 3, demonstrate the low proportions in the senior age groups—less than 2 percent over 65 and less than eight percent over 60. These low proportions are further illustrated by the fact that, within each type of institution, faculty over 60 are fewer than those age 30 and younger. The modal age interval, either 31-35 or 36-40 within each type of institution, is another indicator of the relatively small number of older faculty. Very few faculty are over 65, and given the relatively small proportion in their early sixties, few will attain age 66 before the minimum mandatory retirement age is raised to 70. Over 90 percent of the current faculty will be covered by the amended age discrimination law.

Some insight into the potential impact of extending minimum mandatory retirement from 65 to 70 may be gained through examining the age distributions of faculty in institutions with different mandatory requirements. Dividing faculty into two groups, those at institutions with limits that fall below age 70 and those with limits at age 70 or older, the data in Table 3 show that higher mandatory retirement ages have not resulted in substantially higher proportions of faculty over 65, except in doctoral universities. The opportunity to continue full-time employment beyond age 65 simply has not attracted large numbers of faculty at the present time. The atypical situation in the doctoral universities may be due to different pension eligibility requirements and pension benefit levels, which information is not available to us.

Table 2. Compulsory Retirement Age for Faculty at U.S. Universities and Colleges Within Type and Control at Institution (percent by column)

Compulsory Retirement Age	Research Universities				Doctoral Universities				Other Universities and Colleges			
	Public		Private		Public		Private		Public		Private	
	n	%	n	%	n	%	n	%	n	%	n	%
65	1	4	1	7	3	12	4	27	11	21	5	21
66-69	2	8	2	14	2	8	2	13	7	13	2	8
70	17	65	6	43	15	60	6	40	14	27	9	38
71-75	1	4	1	7	1	4	0	0	2	4	1	4
No Limit	5	19	4	29	4	16	3	20	18	35	7	29
Total	26	100	14	100	25	100	15	100	52	100	24	100

AGE OF PLANNED RETIREMENT

Among the questions asked of faculty in the 1977 survey were several regarding retirement, including the age at which they would "*most likely* retire from full-time academic employment" and the circumstances under which they would consider retiring earlier than their current plans. In view of the fact that large numbers of faculty are many years from their retirement decisions and that their plans may alter when they are confronted with the actual decision, the follow analyses

have been limited to respondents between the ages of 50 and 62. These faculty will soon be faced with retirement decisions; they will also be the first academics covered by the new legislation.

Table 3. Age Distribution of Faculty at U.S. Universities and Colleges Within Type and Institution's Mandatory Retirement Requirement (percent by row)

Institutional Category	Age ≤30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	≥66	n
Research University										
Mand. 65-69	8.6	20.7	17.1	13.5	12.4	10.8	9.3	6.0	1.6	974
Mand.≥70	7.5	19.9	18.1	14.4	13.5	8.8	9.1	6.4	2.3	361
Total	8.3	20.5	17.4	13.8	12.7	10.3	9.2	6.1	1.8	1335
Doctoral University										
Mand. 65-69	10.0	20.1	18.8	14.1	12.4	11.8	7.5	4.8	0.5	623
Mand.≥70	3.0	19.2	13.5	16.0	12.0	16.7	9.7	4.0	5.9	207
Total	8.3	19.9	17.5	14.6	12.3	13.0	8.0	4.6	1.8	830
Other Universities and Colleges										
Mand. 65-69	7.3	21.7	21.3	18.4	11.7	9.7	6.5	3.1	0.3	1829
Mand.≥70	12.8	11.9	20.6	15.4	8.4	20.7	3.4	6.2	0.7	256
Total	8.0	20.5	21.2	18.1	11.3	11.0	6.1	3.4	0.3	2085
Two-Year Colleges										
Mand. 65-69	6.1	20.8	13.1	13.7	9.8	26.0	6.9	3.4	0.0	688
Mand.≥70	15.1	11.5	10.3	3.0	25.3	3.4	18.7	12.7	0.0	291
Total	8.8	18.0	12.3	10.6	14.4	19.3	10.4	6.2	0.0	980

Table 4 shows that nearly 40 percent of the 50-62 age group plan to retire by age 63; over 40 percent plan to retire between 64 and 66; and less than 20 percent plan to retire after age 66. There are substantial variations among faculty at different types of institutions. One out of five faculty members at research universities intend to retire before age 64, while 59 percent of the faculty at two-year colleges plan on this early retirement.[3] Between 75 and 95 percent of all faculty in the 50-62 cohort, depending upon the type of institution, intend to retire by age 66.

Returning to the issue of mandatory retirement, dramatic differences appear in a categorical comparison of faculty intending to retire at age 67 or older when faculty at institutions with requirements for mandatory retirement under age 70 are separated from faculty at institutions with requirements mandated at age 70 or older. Among faculty in the latter group, the proportion intending later retirement is 10 percent higher in research universities and 15 percent higher in doctoral universities. In general, substantially higher numbers of faculty at universities currently prohibiting mandatory retirement before age 70 plan to retire later than faculty at otherwise comparable institutions.

These intentions indicate greater differences between faculty in the two mandatory requirement classifications than are evident in a comparison of their age distributions. While the institutions with mandatory retirement at 70 or older do have higher proportions of faculty over 65, the proportions are not dramatically higher. The relatively few full-time faculty over 65 currently in higher education may reflect society's long-standing standard of 65 as the accepted age for retirement. The amended Age Discrimination in Employment Act, however, may make

later retirement policies much more common by the summer of 1982, when it will apply to tenured faculty. That possibility underscores the importance of identifying mechanisms that will successfully and economically increase voluntary early retirement.

Table 4. Age of Planned Retirement for Faculty Ages 50-62 at U.S. Universities and Colleges Within Type and Institution's Mandatory Retirement Requirement (percent)

Institutional Category	Age of Planned Retirement ≤63	64-66	≥67	n
Research Universities				
Mand. 65-69	19.6	58.7	21.6	230
Mand.≥70	24.7	44.2	31.1	76
Total	20.9	55.1	24.0	306
Doctoral Universities				
Mand. 65-69	34.0	56.1	9.9	140
Mand.≥70	30.0	43.8	26.2	55
Total	32.9	52.6	14.5	195
Other Universities and Colleges Total*	40.4	37.1	22.4	404
Two-Year Colleges Total*	58.7	38.5	2.8	317

*Insufficient number of unweighted cases prevents analyses within subgroups.

INCENTIVE EARLY RETIREMENT

Since typical faculty members could not be expected to be familiar with the complexities of various incentive early retirement schemes, the 1977 survey presented them with two basic types of incentives: part-time employment as a transition from full-time to retirement, and three levels of economic incentives for terminating employment. Respondents indicated if, and at what age, they would consider retiring earlier under each condition, assuming that each condition would be in effect for all years between early retirement and the mandatory retirement age at their institution.

The survey found that one-third of the faculty would consider early retirement "if assured of payments each year equal to one-half [their] annual salary." Among the faculty who would consider this inducement, one-half would retire up to three years earlier. The data displayed in Table 5 show that receptivity to this inducement varied by type of institution and its mandatory retirement requirement; one-quarter of the faculty at research universities, one-third at doctoral universities and other universities and four-year colleges, and over 40 percent at two-year colleges would agree to earlier retirement. Faculty at universities with mandatory reitrement requirements at age 70 or older found this incentive more attractive than their colleagues at universities with mandatory retirement requirements under age 70.

Full pension benefits normally provide a benefit level that is greater than one-half a person's ending annual salary. Table 6 indicates that when presented with the incentive of full pension benefits, the number of faculty who responded that they would consider retiring earlier than their current plans was slightly higher (40 percent) than the number interested in retiring early with one-half of their annual salary. Faculty in the Other Universities and Colleges category viewed this inducement more favorably than those at Research and Doctoral Universities and more favorably than they viewed the opportunity for one-half their annual salary.

Table 5. Impact of Assured One-Half Annual Salary for Faculty Ages 50-62 at U.S. Universities and Colleges, Within Type and Institution's Mandatory Retirement Requirement (percent by row)

Institutional Category	No.	Retire Earlier than Current Plans Number of Years Earlier ≤3	4-6	≥7	n
Research University					
Mand. 65-69	77.6	10.5	6.9	5.0	230
Mand.≥70	65.8	15.4	14.0	4.8	78
Total	74.6	11.7	8.7	4.9	308
Doctoral Universities					
Mand. 65-69	71.0	11.4	12.1	5.4	128
Mand.≥70	50.8	13.2	31.1	4.9	54
Total	65.0	12.0	17.7	5.2	182
Other Universities and Colleges Total*	67.7	18.7	2.3	11.4	359
Two-Year Colleges Total*	58.8	23.3	7.4	6.5	327

*Insufficient number of unweighted cases prevents analyses within subgroups.

Table 6. Impact of Assured Full Pension Benefits For Faculty Ages 50-62 at U.S. Universities and Colleges, Within Type and Institution's Mandatory Retirement Requirement (percent by row)

Institutional Category	No.	Retire Earlier Than Current Plans Number of Years Earlier ≤3	4-6	≥7	n
Research Universities					
Mand. 65-69	75.9	9.7	8.2	6.2	225
Mand.≥70	62.2	9.2	21.7	6.8	76
Total	72.5	9.6	11.7	6.3	302
Doctoral Universities					
Mand. 65-69	66.7	18.6	13.7	1.0	126
Mand.≥70	63.7	15.7	7.3	13.3	53
Total	65.8	17.8	11.8	4.6	179
Other Universities and Colleges Total*	57.9	22.2	12.9	7.0	371
Two-Year Colleges Total*	50.5	22.9	15.9	10.7	316

*Insufficient number of unweighted cases prevents analyses within subgroups.

Faculty were also asked how their retirement plans would be affected if they "were assured of payments each year equal to [their] current annual salary." Although this incentive is not financially feasible for most universities and colleges, and is not seriously suggested, therefore, as a probable alternative, the responses provide an indication of the maximum number of faculty who would consider voluntary earlier retirement. The data presented in Table 7 show that one-third of the faculty between ages 50 and 62 would not consider earlier retirement given this generous incentive. The two-year-college faculty were most receptive—75 percent would consider this inducement, compared to 60 percent of the faculty at four-year institutions.

Finally, faculty were requested to indicate if they would consider retiring sooner if they "were assured of part-time employment with a proportionate decrease in salary." A surprisingly large number of faculty showed interest in this alternative. As shown in Table 8, approximately 60 percent would consider part-time service as a transition between full-time employment and retirement. The familiar pattern was repeated—more faculty at universities with mandatory retirement requirements at 70 or older and faculty at two-year colleges were receptive to this incentive to retire early.

Table 7. Impact of Assured Full Annual Salary for Faculty Ages 50-62 at U.S. Universities and Colleges, Within Type and Institution's Mandatory Retirement Requirement (percent by row)

Institutional Category	No.	Retire Earlier Than Current Plans Number of Years Earlier			
		≤3	4-6	≥7	n
Research Universities					
Mand. 65-69	44.8	17.1	19.3	18.8	228
Mand.≥70	37.1	12.1	22.3	28.5	78
Total	42.8	15.8	20.0	21.3	305
Doctoral Universities					
Mand. 65-69	38.4	16.0	26.1	19.5	133
Mand.≥70	36.6	10.8	9.9	42.9	53
Total	37.9	14.5	21.5	26.1	185
Other Universities Total*	37.5	14.2	13.7	34.6	360
Two-Year Colleges Total*	23.6	32.8	17.1	26.6	327

*Insufficient number of unweighted cases prevents analyses within subgroups.

Table 8. Impact of Assured Part-Time Employment for Faculty Ages 50-62 at U.S. Universities and Colleges Within Type and Institution's Mandatory Retirement Requirement (percent by row)

Institutional Category	No.	Retire Earlier Than Current Plans Number of Years Earlier			
		≤3	4-6	≥7	n
Research Universities					
Mand. 65-69	49.3	21.3	20.5	8.8	233
Mand.≥70	38.7	24.3	30.7	6.4	79
Total	46.6	22.1	23.1	8.2	312
Doctoral Universities					
Mand. 65-69	45.1	24.9	20.0	10.0	132
Mand.≥70	30.7	19.7	42.4	7.2	56
Total	40.9	23.4	26.6	9.2	188
Other Universities and Colleges Total*	51.7	19.6	19.0	9.7	404
Two-Year Colleges Total*	20.3	40.9	21.5	17.2	327

*Insufficient number of unweighted cases prevents analyses within subgroups.

The responses to this question illustrate the problems in applying the findings of this study to a particular university or college. Faculty are making some assumptions about the courses they would teach, the nature and extent of their non-teaching responsibilities, the perquisites they would retain, and continued institutional contributions to employee benefit plans. Their assumptions are not known, and the extent to which they would be consistent with provisions offered by their employers is also unknown. Specific details for any incentive early retirement scheme must be developed before faculty can make actual decisions about early retirement.

The examination of incentive early retirement programs currently used in higher education, and personal interviews with professors who retired under such programs, as reported below, provide information on the impact of several specific options.

The Impact of Incentive Early Retirement on Faculty

University and college faculty members who retire early typically must take a pension somewhat smaller than the one they would have received at the normal or mandatory retirement age. This reduction adjusts for the longer time period during which the faculty member will be retired and compensates for the smaller amount of funds paid into his or her retirement account.

Recognizing that relatively few faculty members will retire more than a year or two early if this means a greatly reduced pension, some universities, like many corporations before them, have sought ways to provide *additional* retirement income, hoping that this would induce more persons to retire before the mandatory age.[4] This type of early retirement arrangement is usually not operational as part of an institution's basic retirement program. Instead, the institution pays for the additional compensation through general funds or with the retiring employee's salary line.

Although these arrangements have permitted some institutions to reduce their staffs and cut their budgets, or to reduce staffing in one field and increase it in another, few institutions have saved a great deal of money. Usually, little money remains to pay even a less expensive replacement after the retiring employee has been compensated for his or her early departure. Nonetheless, some institutions have found the increased staffing flexibility worth the cost.

Increasing early retirement among faculty members usually has (by itself) only a modest impact on the age composition of the faculty. But in those cases where the faculty is tenured-in and few retirements are expected, even a slight increase in the percentage of early retirements might be highly valuable. Careful planning is essential, because an induced early retirement today means one less normal retirement tomorrow. Thus, a participating institution must be satisfied with a temporary rise in the retirement rate.

The costs of early retirement programs depend upon the specific individuals who retire early, the level of increased benefits paid the early retiree, and the salary paid the replacement employee. Without prior local experience, it is difficult to estimate the number of persons who will elect a given option. Because of this, it may be necessary to limit the period during which the option is offered.[5]

The Early Retirement Alternatives

There are only a few incentive early retirement programs in academia which have retired substantial numbers of professors. Basically, the university programs fall into five categories:

(1) A liberalization of the early retirement actuarial reduction

(2) A pension supplement

(3) Part-time employment

(4) Continuation of perquisites (e.g., continued office use or a continuation of selected employee benefits)

(5) Combinations of the above options

Liberalizing the actuarial reduction (not reducing the early retiree's pension as much as is normally done) is the common way in which increased pensions are provided. But as in industry, this option does not encourage many people to retire early. The pension supplement option causes more people to retire early; but still, the number of faculty members who have accepted this option is limited.

Part-time reemployment has been used as part of an incentive early retirement option. Although this is a device that can be used by a person who wants to phase into early retirement, in academia it has been seen primarily as a way to supplement the pension received by an early retiree.

Although they are usually not sufficient to enable people to retire early, fringe benefits have been continued for persons who decide to retire early under one of the other options. These benefits may ease the transition to retirement and may enhance the attractiveness of other alternatives. To gain an insight into the pros and cons of incentive early retirement, we examined the schemes at a number of institutions. Four universities had enough experience with incentive retirement to warrant a detailed investigation of their plans and the experiences of their incentive early retirees. These institutions included the University of California, Stanford, Indiana University and Massachusetts Institute of Technology. For reasons of confidentiality we cannot reveal the identities of the institutions in the following retirement-plan descriptions.

University 1—Until recently, induced early retirement at this institution was handled informally. There were no precise regulations concerning the eligibility age or the number of years of service required. The faculty member retiring early received approximately 75 percent of the annuity that he or she would have received at the normal retirement date. The average cost of the supplementary annuity was about one-third the total salary plus employee benefits, which would have been paid to the individual had he or she remained on the faculty until the normal retirement date. A standardized formula was recently developed, and it was also decided to offer this standard early retirement option to staff members who would be at least 60 years of age and who would have at least 20 years of service by certain dates. The supplemental annuities are purchased outside the regular retirement plan on a single-life basis with no spouse's benefit. The special program for faculty early retirement will be continued for individuals in the age range 55 to 60.

University 2—At this institution the mandatory retirement age is 70. However, if an academic decides to retire at any age between 65 and 70, the early retirement benefit is equal to the annuity which would otherwise have been received at age 70. It is based on the actual salary of the last year of full-time employment, *without* a salary change. During the early retirement years, the employee receives benefit payments directly from the University, and the University makes full contributions to his or her annuity. On reaching age 70, the University's annuity contributions cease, and the employee begins to draw the annuity. Eligibility is limited to employees with at least 20 years of service and 18 years of retirement-plan participation.

University 3—The scheme at this university involves early retirement *plus* part-time employment. When a professor decides to retire early, he or she receives the actuarial equivalent of the benefits due under the normal early retirement program. But since the person is retiring early and will receive a smaller pension, the retirement benefits are supplemented by an annuity purchased between early retirement and the mandatory retirement age, which goes into effect at the mandatory retirement age of 67. Thus, on reaching 67, the professor receives an annuity equal to that which he or she would have received if employed until mandatory retirement, but without receiving salary increases during that period. In order to match the person's income during the period between early retirement and mandatory retirement with the income receivable at mandatory retirement, part-time employment at the university is provided.

University 4—This university's plan was based on the premise that early retirement should be open to all older faculty members, at their own initiative, rather than being offered on an *ad hoc* basis to persons identified somehow as less productive academics. The designers of this plan reasoned that the best candidates for early retirement were persons with salaries lower than the average for academics of similar age and with similar periods of service. Thus, the plan calculates one's early retirement benefit on the basis of the median earnings level for one's age and service category. The designers of the plan argued that this would give lower-salaried employees a greater incentive to retire.

COMMENTS FROM INCENTIVE EARLY RETIREES[6]

Fifty-two of the first hundred or so incentive early retirees in academia were personally interviewed about their decision to retire early and their experiences since retirement. The respondents, from the four institutions mentioned above, tended to be highly satisfied.

Most retired less than five years before reaching the mandatory retirement age.

Since the mandatory retirement age for most of the retirees was 67 or 70, these persons terminated at about the retirement age considered "normal" in business and industry. On the average, they terminated about four years before reaching their institution's mandatory retirement age. Their average age at retirement was 64; thus, many retirees, especially those who were eligible for social security benefits, did not feel they had retired "early" at all.

The reasons for early retirement are varied.

Most early retirees mentioned several factors that influenced their decision to retire early. The most common reason, mentioned by 50 percent of the respondents, was that they had already developed, or wanted to develop, some interests outside their regular university responsibilities. Some had a specific project in mind, such as finishing a book or research project. Others said they retired to set new goals for themselves and to enjoy a different lifestyle. The second most common reason (stated by 40 percent) was that they had lost interest in or no longer enjoyed their work, or were fatigued by the pressures that accompanied even the most enjoyable challenges. Many retirees felt that they already had sufficient finances to retire comfortably. In 27 percent of the cases, it was the special early retirement option that made early retirement financially feasible. About one-fifth of the early retirees had a health problem or disability that contributed to their early retirement decision.

Most expressed satisfaction with their decision to retire early.

Seventy-three percent of the respondents reported that they were very satisfied with their decision to retire early, and only one said he was not satisfied. Ninety percent would retire at the same age if they had it to do over again. Only two respondents said they would retire later. Most of them said that they enjoy the freedom and the time they have to devote to interests and activities they never had time for while working. Also, many said they were relieved to be away from the pressures and strains of their university responsibilities.

Few said they would have retired earlier even if the conditions of the early retirement option had been different.

Most of the early retirees *would not* have retired earlier, even if the conditions had been different. Those who gave reasons said they would not have been psychologically prepared for retirement, or that they were too interested or involved in their work to retire any earlier. On the other hand, about one-fifth said they would have retired earlier if conditions had made it financially feasible.

Most were faring well financially.

Eighty-eight percent of the early retirees reported no change in their standard of living since retirement. The reason, according to most, was that although their gross income was lower, their "spendable" income was higher. There are no deductions for social security, and retirees do not have to pay income tax on social security or on income from their after-tax contributions to retirement funds. Quite often their major expenses, such as the house mortgage and the children's living and educational expenses, are behind them. Money once spent on business clothing, lunches away from home, and commuting can be reallocated after retirement. Many of the early retirees expressed concern about the potential effects of continued inflation, but a large majority said that, so far, they had been able to live as well as or better than they had expected.

Most are still active professionally.

More than two-thirds of the early retirees had been paid for consulting or part-time work since retirement. About one-half of them had been paid for such activities in the current year. Many were also doing unpaid volunteer work related to their fields, or they were writing or conducting independent research. Counting these latter activities plus employment in one's field, 83 percent of these academics have been professionally active since early retirement.

Were The "Right" Persons Selected?

It is difficult to determine whether the "right" persons retired under these special retirement options. However, it is important to note that 56 percent of the respondents mentioned at least one reason for retiring early that could reflect failing individual productivity and effectiveness. In terms of specific problems, 40 percent said they had lost interest in or had become dissatisfied with their work or felt the pressures of working were too great; 21 percent had health problems or disabilities; 15 percent said they were dissatisfied with the quality of their own performance; and 12 percent said they were dissatisfied with or could not adapt to the changing administration or academic focus of their departments or universities.

Although these early retirees adopted a variety of aging patterns, most of them said they continued their academic interests during retirement. Some had a continuing formal relationship with the university, teaching or carrying out research on a part-time basis. Others had a less formal relationship, assisting their former departments on an occasional basis, using the library or office space, and attending university events. Still other retirees continued their academic pursuits, but at non-university locations. Both retirees who continued with their academic interests and retirees who adopted other roles tended to note satisfaction with their retirement decisions.

Because of their relatively high status, the control over their careers, and the nature of academic life, professors who want to continue academic work after retirement are often able to do so. For one thing, much academic work can be done without university facilities. Furthermore, contacts made during an academic career can be exploited during retirement. Other parts of one's academic career, often those parts considered more desirable, can be continued—for example, consulting, public speaking, voluntary service to government, professional memberships, political activities, etc. The recent retirees—though some said they felt constrained—reported that continued academic involvement is possible, *if* one desires it.

These and other factors, such as sound financial expectations and generally stable health patterns, lead most faculty members to have positive retirement experiences. The high levels of activity before retirement tend to carry over into retirement. The writers continue to publish, the consultants continue to consult, and the persons who were active community volunteers also tend to be the most active volunteers during retirement. Sometimes the reported retirement activities were not academic in nature; but recent retirees seldom reported that they viewed retirement as a time to do nothing. Rather, those abandoning academic interests assumed other activities, such as living on a sailboat, devoting full-time to music, building a home in the mountains, starting a business, etc.

EARLY RETIREMENT SCHEMES: IMPLEMENTATION ISSUES

Since the early retirement schemes were designed in part to permit the hiring of new employees, it would be reasonable to expect positive reactions from departments. However, there were negative responses stemming from at least three factors: (1) the loss of the early retiree's position because it reverted back to the university administration; (2) in the cases where departments retained the position, a disappointment with the amount of funds released; and (3) a general dissatisfaction with the way in which the retirement program was administered.

The Loss of a Position

At some institutions there is no guarantee that a department from which a person retires early will be able to keep the vacated position. Thus, there can be some reluctance on the part of the department chairman to suggest the early retirement arrangement to one of his or her faculty members. Whether early retirement itself results in the loss of a position is not clear. In some cases respondents reported losing a FTE because of an early retirement, but their departments had often been notified that a certain number of positions would have to be given up. Even if an early retirement had not freed up a position, a department might still have had to let go of another faculty member. Although the university may benefit as an institution from an early retirement—by being able to reallocate a position, that benefit is difficult to perceive by the unit losing the position. Chairmen tend to be hesitant to recommend someone for early retirement;

deans are less reluctant, for they are usually able to retain the position, perhaps reallocating it to another department.

The Relcasing of Funds

Even if a department is assured that it will not lose a vacated position, it may not be able to hire someone to fill that position because insufficient funds are released by some early retirement plans. In some institutions, not only are few positions freed and limited funds released, but these funds are not being released as early as was hoped, since the early retirees are terminating, on the average, only several years before the mandatory retirement age.

A chairman commented on the issue:

> The program is bad because there is no incentive for a department. The net savings were a few thousand dollars. Why cause trauma to a department chairman and the early retiree for so little gain? The department netted $5,000 per year, but we couldn't do anything with the money. . . . If I had to do it again, I might not. I don't consider it that useful.

Part-time employment had been considered as an early retirement option, but because faculty members who are retained part-time are often assigned to specific budget lines, a department can hire only temporary replacements for those faculty. Consequently, departments would rather have a faculty member retire completely; if a chairman feels that a faculty member might retire completely in a few years, he or she may see no advantage in encouraging an arrangement that would cause the faculty member to continue on a part-time basis for perhaps even more years.

The part-time employment option caused "make work" jobs to be created in some cases. Time and again the early retiree's superior reported difficulty finding something for the early retiree to do a part-time basis. Often the early retirees and their chairmen had quite different conceptions of what the part-time job should be. For example, the early retiree might have had a small advanced seminar in mind, whereas his or her chairman or dean was thinking terms of a large introductory or service course. Another conflict associated with part-time work was the space problem. Both the early retiree and his replacement required separate offices; in all cases, sharing office space was considered impossible.

Administrative Problems

Most of the early retirees felt that their retirements were handled well. However, respondents from one institution were uniformly dissatisfied. They cited general administrative problems, including absence of a central source of information and unclear rules. A chairman spoke about the rules:

> There was a lot of paperwork with people we didn't know. They were often fuzzy-minded, and I was pretty much soured by the negotiations. It would have been better with a local person [a person from the potential early retiree's own division rather than a higher level administrator]. It would be more likely to be done humanely and with dispatch if it could be done in their own environment. The process needs to be decentralized. It needs to be very lean at the top.

A dean at another institution complained that no one counseled him about how to handle the early retirement arrangement and that the retirement office had little information.

Suggesting an early retirement to someone may be a difficult task; it must be done with tact and consideration. However, most of the early retirees report that they were glad they had the opportunity to retire early. Some reported that the option permitted them to leave an unhappy situation. Further, a number of current employees reported that they would welcome the opportunity to retire early. The perceptive administrator who knows his faculty members should already have some idea of who to speak with about these alternatives. Obviously, an institution should retain legal counsel before any alternative is suggested to any employee.

Handled properly, induced early retirement may be one way to increase turnover in the faculty ranks. Each institution will have to make decisions about how much turnover it needs, how much it can afford, the type of incentive that will suit its needs, and how it will implement that option.

CONCLUSION

Early retirement, for the academics discussed here, was apparently not a traumatic experience. Many currently employed academics might be inclined to take advantage of an early retirement plan, under the right conditions, although there are slight variations in the proportions of persons who would choose the various alternatives. The acceptance rate will depend upon the details of the alternatives and the response of faculty members to the boosting of the mandatory retirement age.

If many academics take advantage of the new option and stay on till 70, there will be a short-term decline in the overall retirement rate. This might suggest that universities and colleges should adopt special early retirement programs to encourage people to retire before age 70. However, the data presented here suggest that most faculty members may not decide to stay on until age 70. For one thing, the average mandatory retirement age in academia is now approximately 67. Even in those institutions where the mandatory age is now 70, most academics retire before age 70. In general, there is little variation in the average age of retirement at different institutions, regardless of the mandatory retirement age in effect. This suggests that people's decisions to retire are based more on the social norm than on the mandatory age at their institution. However, when asked when they will retire, persons at institutions with higher mandatory ages report higher planned retirement ages. Our tentative explanation for these differences is that people make plans based upon the norms and rules of their immediate reference groups (their university), but ultimate decisions are based upon the broader norms and rules of society. For example, they may be based upon the average retirement age of all Americans, the age at which when an unreduced social security income may be received, the age when income from other savings plans will mature, etc.

Although many academics may not view retirement with trepidation, few retire more than a few years before age 65. Since most academics remain academically active, and since few experience poor health or pressure to quit, they have little incentive to retire. Further, employment opportunities during retirement are limited in some fields, particularly in the humanities, and academics in these fields are reluctant to retire too early lest their retirement annuities be eaten away by inflation. Nevertheless, there will be a small, and perhaps increasing demand for early retirement. As on-the-job pressure in academia increases as a function of the reduced demand for faculty members, as academics are expected to carry more responsibilities because of the reduced size of the faculty ranks, and as resource bases shrink, more academics may choose retirement if they can afford it financially. Even so, the demand for early retirement will probably remain modest. As long as early retirement is more an option of the potential retiree than a decision of the administration, there may be little faculty opposition to the idea. Clearly, some academics want the opportunity to opt out, and if these early retirements can be financed without cost to current employees, then they should be seen as a desirable aspect of the retirement process.

FOOTNOTES

[1]David Palmer was an associate of the 1977 survey and served as principal investigator of the retirement and mid-career change component of the survey. Part of the data reported here was collected under National Science Foundation grant PRM-7622637. The conclusions are those of the authors.

[2]David Palmer would like to thank Everett C. Ladd, Jr. and Seymour M. Lipset for their cooperation and advice throughout the investigation. For additional information regarding the entire survey, see: Robert K. MacDonald, *Technical Report: 1977 Survey of the American Professoriate*, Social Science Data Center, University of Connecticut, February 1978 (mimeograph).

[3]For information on the relationship between retirement plans and scholarly productivity see: Everett C. Ladd, Jr., Seymour M. Lipset and David D. Palmer, "The American Professoriate: The Issue of Mandatory Retirement," *The Chronicle of Higher Education* (November 7, 1977).

[4]Part of the data reported here was collected under National Science Foundation contract PRM-7624576. The conclusions are those of the authors. The complete study is reported in: Carl V. Patton, Diane Kell, and Joseph Zelan, *A Survey of Institutional Practices and An Assessment of Possible Options Relating to Voluntary Mid- and Late-Career Changes and Early Retirement for University and College Faculty* (Cambridge: Abt., 1977).

[5]Details about costs and manpower impacts may be found in a forthcoming book: Carl V. Patton, *Career Options for American Academics: Mid-Career Change and Early Retirement* (Cambridge: Abt, 1978).

[6]Details on the early retirees may be found in Diane Kell and Carl V. Patton, "Reaction to Induced Early Retirement" *Gerontologist* (April 1978).

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